United States Court of Appeals

for the Second Circuit

APPELLANT'S BRIEF

BRIEF

75-7654

To be argued by
SOLOMON M. LOWENBRAUN

In The

United States Court of Appeals

For The Second Circuit

B

P/S

CLARENCE H. McSHAN,

Appellant,

vs.

OMEGA LOUIS BRANDT ET FRERE, S.A. and SOCIETE SUISSE POUR L'INDUSTRIE HORLOGERE MANAGEMENT SERVICES, S.A.,

Appellees.

On Appeal from the United States District Court for the Eastern District of New York

BRIEF FOR APPELLANT

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II. STATEMENT OF ISSUES PRESENTED FOR REVIEW:

The issues presented for review are:

Should the Memorandum and Order signed by the HONORABLE MARK A. COSTANTINO, Judge of the United States District Court for the Eastern District of New York, dated November 14, 1975, be reversed and the Judgment of Dismissal vacated?

Should the Court find that the Defendants are subject to the jurisdiction of the District Court for the Eastern District of New York and the jurisdiction of the Courts of the State of New York?

Should the action be remanded to the Supreme Court of the State of New York, Queens County?

III. STATEMENT OF THE CASE:

A. Nature of the Case:

This action was brought by the plaintiff to recover sums of money owed to him by virtue of a patent license agreement made with the Defendant OMEGA. (Appendix pp.29a-42a) The agreement made between the Plaintiff's Assignor and the Defendant

OMEGA provided for the licensing of inventions patented by the Plaintiff and thereafter licensed to Plaintiff's Assignor.

B. Course of Proceedings and Disposition in the Court below:

The action was commenced in the Supreme Court of the State of New York, Queens County, by serving a Summons and a Verified Complaint (Appendix pp. 3a-9a) upon the Defendants by a Swiss Avocat, the equivalent of a New York Attorney, in the City of Bienne, Switzerland, upon both Defendants. The Defendants by a duly authorized official admit in writing the service of the Summons and Complaint for both Defendants. (Appendix p. 10a)

Instead of responding to the Summons and Verified Complaint served, in accordance with the practice prescribed in the NEW YORK CIVIL PRACTICE LAW AND RULES, Defendants removed this action from the State Court to the United States District Court for the Eastern District of New York.

Subsequent to the filing of the Petition for Removal, the Defendants, in lieu of serving an Answer, made a Motion to dismiss the Complaint on the ground that the Defendant-Corporation was not subject to the jurisdiction of the United States District Court for the Eastern District of New York. (Appendix p. 11a et seq.)

The Plaintiff, in response to the Defendants' Motion, asserted that the Motion to dismiss the Complaint for lack of jurisdiction should be denied and cross-moved to remand the case to the Supreme Court of the State of New York, Queens County. (Appendix p. 47a)

In a Memorandum and Order, dated November 14, 1975, the HONORABLE MARK A. COSTANTINO, United States District Judge, dismissed the Complaint and denied the Plaintiff's Motion for remand. (Appendix p.49a)

C. Statement of Facts (with references to the Record):

On February 19, 1970, the Plaintiff entered into a written agreement with American Railroad

Curvelining Corporation, hereinafter referred to as "ARC", a New York Corporation which maintains its principal office at Douglaston, Queens County, New York. The agreement granted to ARC the sole and exclusive right and license (subject to certain minor exceptions) throughout the world to manufacture, have manufactured, use and sell time-keeping and time-measuring instruments embodying one or more of the inventions created by Plaintiff and covered in whole or part by the United States Patents numbered 2,942,205 and 2,950,447 and other related patents and patent applications of which Plaintiff is the registered owner.

This License Agreement between Plaintiff and ARC provided for the payment of a royalty to Plaintiff, said royalty to be computed on the cost of each of the watch movements either manufactured or sold by ARC or by certain watch manufacturing companies specified in said Agreement.

On March 6, 1970, by written agreement executed in the City and State of New York, ARC granted to

Defendant OMEGA LOUIS BRANDT ET FRERE, S.A.(hereinafter referred to as "OMEGA"), a Swiss Corporation, the sub-license to manufacture, have manufactured, use and sell time-keeping and time-measuring instruments embodying one or more of the inventions created by Plaintiff and covered by the aforesaid United States and related patents and patent applications, subject to certain minor exceptions. (Appendix p. 29a)

The aforesaid Sub-License Agreement imposed upon Defendant OMEGA the obligation to pay ARC a royalty computed in accordance with formulae set forth in said Agreement related to the number of time-keeping and time-measuring instruments embodying one or more of Plaintiff's inventions manufactured or sold by Defendant OMEGA and Defendant SOCIETE SUISSE POUR L'INDUSTRIE HORLOGERE MANAGEMENT SERVICES, S.A. (hereinafter referred to as "SSIH"), a Swiss Corporation. OMEGA is a manufacturing Subsidiary of SSIH. (Appendix p. 31a-33a).

The Defendants, subsequent to the execution of the Sub-License Agreement dated March 6, 1970, have

manufactured, caused to be manufactured, used and sold time-keeping and time-measuring instruments covered by the aforesaid Sub-license Agreement in sufficient quantities to accrue a liability to ARC and Plaintiff in the amount of at least THREE HUNDRED THOUSAND ($300,000.00) DOLLARS.

The Defendants OMEGA and SSIH have omitted, failed or neglected to pay the royalties which have accrued to ARC and Plaintiff, and said Defendants continue to refuse to pay the royalties due to ARC and Plaintiff, despite demand for payment thereof.

By written assignment, ARC, the grantor in the Sub-License Agreement dated March 6, 1970, assigned and conveyed all of its rights to seek to enforce collection of the royalties and other payments due from Defendants OMEGA and SSIH under said Agreement to Plaintiff, CLARENCE H. McSHAN.

By specific provision contained in the license agreement between Plaintiff and ARC and in the Sub-License Agreement by ARC and Defendant OMEGA, both said agreements are required to be construed in

accordance with, and be governed by the laws of the State of New York. (Appendix p. 39a)

It should be noted that the Defendant's trade-name, "OMEGA" is one of world renowed fame associated with quality watches and time-measuring instruments. Further, OMEGA transacts large quantities of business through saturation marketing in multiple retail outlets in and around New York City so that the Court should be able to take judicial notice of the prevalent reputation of the Defendant and the transaction of its business in the New York City Metropolitan area.

Finally, it must be made known that the Defendants' moving Affidavits admit and concede that they have what amounts to an exclusive agency relationship established with NORMAN M. MORRIS CORPORATION, a New York Corporation maintaining its principal office in the City, County and State of New York, and have maintained such relationship for many years. (Appendix p. 13a)

P O I N T I.

DEFENDANTS' MOTION MUST BE DETERMINED UNDER THE LAWS OF THE STATE OF NEW YORK:

The Agreement dated March 6, 1970, by and between Plaintiff's assignor and Defendant OMEGA, in precise unequivocal repetitive language indicates that the Contract must both be "construed" and "governed" by the laws of the State of New York applicable to contracts made and to be performed therein.

In the light of the expressed submission by the terms of Defendant OMEGA's own contract, to the Laws of New York State, the attention of the Court is invited to the opinion of Judge Waterman of the Court of Appeals for the Second Circuit in AGRASHELL, INC. vs. BERNARD SIROTTA COMPANY, 344 F. 2d, 583, 586, where the Court says:

> "Section 302(a)1 of the CPLR states:
>
> "(a) * * * A court may exercise personal jurisdiction over any non-domiciliary * * * as to a cause of action arising from any of the acts enumerated in this section, in

the same manner as if he were a domiciliary of the state, if, in person or through an agent, he:

"1. transact any business within the state."

"In Gelfand v. Tanner Motor Tours, Ltd., 339 F. 2d 317, 320 (2 Cir. 1964), we described the general scope of this provision as follows:

"§ 302 was enacted to take advantage of New York's newly acquired constitutional power, derived from International Shoe Co. v. State of Washington [326 U.S. 310, 66 S. Ct. 154, 90 L. Ed. 95], supra, and its progeny, to subject non-residents to personal jurisdiction based on acts occuring within the state. Simonson v. International Bank, supra, 14 N.Y. 2d at 288, 251 N.Y.S. 2d at 438-439, 200 N.E. 2d at 430, 431. The provision is apparently based on that portion of International Shoe Co. v. State of Washington, supra, 326 U.S. at 318-319, 66 S. Ct. at 159, 90 L. Ed. 95, which holds that ' the commission of some single or occasional acts * * * in a state' may be enough to render a person amenable to local suit on causes of action which 'arise out of or are connected with the activities within the state.' See generally N.Y. Legis. Doc. (1958) No. 13, pp. 39-40."

"Accordingly, in the absence of authoritative pronouncements by the New York courts indicating a narrower legislative intention, we shall assume that Section 302 is as broad as the Federal Constitution would permit it to be. Ibid."
(Emphasis supplied).

It is noteworthy that Mr. Judge Waterman's decision in Agrashell, Inc. vs. Sirotta, supra was decided on April 6, 1965.

It would appear that based on the above ruling of the Court of Appeals for this Circuit, coupled with the explicit submission by the parties to the law of New York to construe and govern their relationship arising out of the Contract dated March 6, 1970, that this Court is duty bound to consider the Defendants' Motion to dismiss solely on the basis of the New York State Law. (See also Paragon International, N.V. v. Standard Plastics, Inc. 353 F. Supp. 88, Ryan v. Glenn, 52 F.R.D. 185 and Uniroyal, Inc. v. Heller, 65 F.R.D. 83 [1974]).

P O I N T II.

THE DEFENDANTS ARE SUBJECT TO THE JURISDICTION OF THE LAW AND THE COURTS OF THE STATE OF NEW YORK:

On May 27, 1965, the New York State Court of Appeals rendered a decision which fittingly may be described as the landmark decision interpreting the "long-arm" statute (CPLR 302). This decision comprised the opinions in three (3) cases, is entitled "Longines-Wittnauer v. Barnes & Reinecke, Feathers v. McLucas, and Singer v. Walker, and the combined opinion is reported at 15 N.Y. 2d 443.

> "The record, although conflicting in some respects, does establish certain facts as to which there is no substantial dispute - namely, that the appellant has shipped substantial quantities of its products into this State as the result of solicitation here through a local manufacturer's representative and through catalogues and advertisements . . . " (Emphasis supplied).

The Court continued, at Page 467:

> "We hold that the appellant's activities in this State are sufficient to satisfy the statutory criterion of

> transaction of business as well as the constitutional requirement of "minimum contacts". (See International Shoe Co. v. Washington, 326 U.S. 310, 319-320, supra; McGee v. International Ins. Co., 355 U.S. 220, 223, supra.) For the reasons we gave in rejecting a similar contention in the Longines-Wittnauer case (supra, pp. 456, 458), we do not deem it determinative, as urged by the appellant, that the formal execution of its sales contracts may have occurred in Illinois rather than New York."

When this Court which must take judicial notice of the widespread sale in New York State of Omega watches, examines the facts in the case at bar by comparison with the holdings in the Singer v. Walker portion of the New York landmark decision, it would seem that the Court must come to the inescapable conclusion that all constitutional and statutory requirements have been met in order to subject the Defendants OMEGA and SSIH to the jurisdiction of the State Court in which the instant action was commenced (Car-Freshner Corp. v. Broadway Mfg. Co., 337 F. Supp. 618).

As time has passed, the New York Courts have consistently sought to enlarge the activities of their

"long-arm" statute, and have wherever possible extended the statute so as to confer jurisdiction on the non-resident corporation or person who does business through an agent in New York State.

The description in the Defendants' moving Affidavit of the relationship of Norman M. Morris Corporation to the Defendants creates more than a sufficient agency to subject the Defendants to the jurisdiction of the New York Courts. (Appendix p. 13a) The tenor of the breadth of the New York holdings is best exemplified by the decision in Parke-Bernet Galleries v. Franklyn, 26 N.Y. 2d 13. In that case, the Court extended the principal of agency to permit the Plaintiff, who had loaned one of its employees to the non-resident Defendant to merely confer by telephone with the Defendant during the performance of the agency task, to create a sufficient "contact" with the State of New York to hold that the Defendant-Principal was in fact subject to the jurisdiction of the New York Courts.

Obviously if the Plaintiff's employee, in dealing transitorily with a non-resident Defendant,

can create a sufficient agency to make the principal subject to the jurisdiction of the New York Courts, then it would seem patently clear that where the agent of the Defendants in the case at bar had been acting in such agency capacity in New York State since 1937, there would be no question that the Defendants would and should be subject to the jurisdiction of the Courts of the State of New York, The Plaintiff makes the contention that the Defendants were purposefully availing themselves of the privilege of conducting activities within New York over a long period of time through the agency of the Norman M. Morris Corporation. (Appendix pp. 13a, 18a, 19a-20a)

A single transaction may be sufficient to confer jurisdiction over a non-domiciliary upon the New York Courts. Yet it has been held that the mere execution of a Contract in New York without more, is insufficient to constitute transaction of business, and although mere negotiation of the Contract would be equally insufficient, however, negotiation or execution of the Contract, plus other

contacts, may suffice to grant jurisdiction of the New York Courts over the non-domiciliary. Impex Metals Corp. v. Ormet Chemical Corporation, 333 F. Supp. 771, 774. While the non-domiciliary Defendants need not have been physically present in New York to "have transacted business" for purposes of CPLR 302, it is sufficient if the Defendants' agent is present and engages in purpseful activities on his behalf. Parke Bernet Galleries, Inc. v. Franklyn supra and Uniroyal, Inc. v. Heller supra.

While the Defendants concede tha' the Morris Corporation is their trademark licensee for the United States and does business here in New York as the "Omega Watch Company", and under certain other related tradenames (Appendix p. 20a), the Defendants take the position that the Morris Corporation does not create the link to New York sufficient to show that the Defendants are in fact "transacting business" in New York State. The Court of Appeals for the Second Circuit has held in 1974 in Galgay v. Bulletin Co., Inc. 504 F. 2d 1062 that "while the New York Law

on this point is not crystal clear, it would appear that a formal agency relationship is not necessary to impute activity against the Defendant where he is being sued by a third party, Elman v. Belsor, 32 A.D. 2d 422,...; Legros v. Irving, 77 Misc. 2d 497, ..."

Recently, in Watherston, Inc. v. Forman, 73 Misc. 2d 875, following the general holding in the Longines-Wittnauer v. Barnes & Reinecke case, in April 1973, the Court held that jurisdiction can be premised on a combination of the establishment of shipment of goods into New York by the non-resident Defendants and the dealings in New York through an agency. Then, of course, the Court held that the non-resident Defendant, Forman, was subject to the jurisdiction of the New York Courts.

In summary, the examination of the Defendants' assertions in their moving papers in connection with the motion to dismiss, reveals that they are replete with admissions and representations concern-

ing the conduct of purposeful business activities in New York State not through a transitory agent (supplied by the Plaintiff), but one of long-standing so that this Court must and should hold that the Defendants are in fact subject to the jurisdiction of the New York State Courts. (Appendix pp. 19a-20a, 44a)

P O I N T III.

THE COURT BELOW ERRED:

In the Memorandum and Order rendered by Costantino, D.J., from which this Appeal is taken, the only case cited in support of the Court's order of dismissal is Delagi v. Volkswagenwerk, 328 N.Y.S. 2d 653, 29 N.Y. 2d 426. This case relied upon by the Court below is completely inapposite insofar as the Delagi case arises out of an action based on a suit for damages for personal injuries sustained by the Plaintiff while driving a Volkswagen automobile in Germany. Plaintiff therein returned to the United States and brought suit in the New York Courts by

seeking to fix New York jurisdiction by trying to establish a chain of "agencies" through several corporations located in New Jersey and thence in New York State. The New York Court in the Delagi case held that both the New York and New Jersey corporations were unrelated to the non-domiciliary, and therefore insufficient to create the agency sufficient to impute jurisdiction over the non-domiciliary Defendants in New York.

The Court below, however, in the person of Judge Costantino, had written the decision in Doumaux v. Gurney, 363 F. Supp. 1209, 1212, two years after Delagi, to hold in the later case that the evidence showed the Defendants' almost complete identification with its manufacturer's representative, through the right to control the promotion of the Defendants' names and the expected economic gain, so that Defendants were to really establish that the Defendants' representative (Morris Corporation) was their agent for the purpose of exploiting the commercial value of their name. Further, Judge Costantino, in the Doumaux case, held that in the

light of the evidence presented against the Defendants, they should not, for the purposes of the motion challenging jurisdiction, be allowed to deny that their representative was their agent. Moreover, he held that since Section 302 provides a basis for jurisdiction over any person who indirectly projects himself into New York through the office of an agent, then sufficient basis existed for holding that the Defendants come within the reach of Section 302. The close identification of the Morris Corporation in New York with the Defendants over the long period of time, conceded and described by the Defendants (Appendix pp. 13a, 17a-18a, 19a-20a and 44a) creates a situation in the case at bar almost identical with that in the Doumaux case where Judge Costantino in fact found jurisdiction.

It is well to note that in the Intermediate Appellate Court in Delagi, the opinion of a unanimous bench was to the effect that the Defendant, having purposefully entered into the stream of business in

New York, albeit through an agent in fact, and having received considerable benefits from sufficient foreign business may not now be heard to complain about the burden of litigation in New York as a foreign jurisdiction. (See also Frummer v. Hilton Hotels Int., 19 N.Y. 2d 533 and Parke-Bernet Galleries v. Franklyn, supra).

It is well to note that the facts in the case at bar are distinguishable from the facts in the Delagi case by reason of the fact that the Delagi case arises out of a personal injury action, whereas the instant action arises out of a Contract between Plaintiff's Assignor and the Defendants. The Delagi case may be further distinguished from the facts in the case at bar because in Delagi, the injury arose in Germany, whereas in the case at bar Plaintiff has been injured as the direct result of the activities of the Defendants in New York State. The Court should be aware that the Plaintiff who seeks damages for breach of a patent license agreement, actually alleges that each time the Defendants ship into New

York State a watch or other time-keeping device (Appendix p. 44a), which uses Plaintiff's patented device, Plaintiff is injured in New York by virtue of the fact that the Defendants have elected not to pay to the Plaintiff the fee reserved in the Contract sued upon, and claimed to have been breached by the Defendants.

It is also requested that the Court take judicial notice, pursuant to Rule 201 of the Rules of Evidence, that there is an action instituted by the United States of America against the Defendants in the case at bar, and others in the United States District Court for the Southern District of New York, under Docket No. 76 Civ. 0495, where the Defendants OMEGA and SSIH have actually consented to allegations by the Government that in fact said Defendants have been transacting business in the Southern District of New York as "transacting business" is defined under Section 302 of the New York Civil Practice Law and Rules.

Accordingly, this Court should reverse the finding of Judge Costantino, and hold that when the Defendants herein were served with the Summons issued out of the New York State Supreme Court, the State Court acquired jurisdiction over the Defendants.

P O I N T IV.

THE COURT BELOW SHOULD HAVE REMANDED THIS ACTION TO THE SUPREME COURT OF THE STATE OF NEW YORK:

There is a distinct possibility that the New York State Courts may be able to exercise a broader reach of jurisdiction than the Federal District Court. The Plaintiff elected the State Court as the forum to try an action to seek a remedy relating to a contract claimed by the plaintiff to have been executed in New York. (Appendix pp. 3a-9a). The Defendants then sought to supersede and amend the Contract sued upon by negotiations conducted by its officers and agents during a visit by them in New York State. (Appendix pp. 45a-46a) The Court below, if

it had determined the Motions before it, in the light of such decisions as those in Parke-Bernet v. Franklyn, supra, and Longines-Wittnauer v. Barnes & Reinecke, supra, should have recognized that the parties should have been remanded to the State Court for the determination of what is above all a question of New York Law rather than to dismiss the Complaint herein. (See Weinberg v. Colonial Williamsburg, Inc., 215 F. Supp. 633, 641, 643).

C O N C L U S I O N :

THE DEFENDANTS' MOTION TO DISMISS THE COMPLAINT FOR LACK OF JURISDICTION MUST BE DENIED

and

THE PLAINTIFF'S CROSS-MOTION TO REMAND THIS CASE TO THE SUPREME COURT OF THE STATE OF NEW YORK, QUEENS COUNTY, MUST AND SHOULD BE GRANTED.

Respectfully submitted,

Solomon M. Lowenbraun,
Attorney for Plaintiff-
Appellant

UNITED STATES COUT OF APPEALS : 2nd CIRCUIT

Index No.

CLARENCE H. McSHAN,

Appellant,

- against -

OMEGA LOUIS BRANDT ETRER E, S.A. and SOCIETE SUISSE POUR L'INDUSTRIE HORLOGERE MANAGEMENT SERVICES, S.A.

Appellees.

Affidavit of Personal Service

STATE OF NEW YORK, COUNTY OF *ss.:*

I, Victor Ortega, *being duly sworn, depose and say that deponent is not a party to the action, is over 18 years of age and resides at* 1027 Avenue St. John, Bronx, New York

That on the **17th** *day of* **feb.** *19* **76** *at* **350 Fifth Avenue, New York, N.Y.**

deponent served the annexed Appellants Brief *upon* **Milton Friedman attorney for**

the **appellees** *in this action by delivering a true copy thereof to said individual personally. Deponent knew the person so served to be the person mentioned and described in said papers as the* **attorney** *herein.*

Sworn to before me, this **17th** *day of* **Feb.** *19* **76**

Robert T. Brin

ROBERT T. BRIN
NOTARY PUBLIC, State of New York
No. 31-0418950
Qualified in New York County
Commission Expires March 30, 1977

Victor Ortega

VICTOR ORTEGA